

May 22, 2002

The Honorable Mayor and
Members of the City Council:

I am pleased to submit to you the 2001 Comprehensive Annual Financial Report of the City of Seattle, Washington. The Department of Finance has prepared this report to present the financial position of the City of Seattle at December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended. The financial statements and supporting schedules have been prepared in accordance with generally accepted accounting principles and meet the requirements of the State Auditor and the City Charter.

The City of Seattle is a primary government for financial reporting purposes, as its governing body is elected by the citizens in a general, popular election. This report includes all organizations and activities for which elected City officials exercise financial accountability. Certain organizations created by or related to the City, for which the City is not financially accountable, have been excluded from this report. Joint ventures and contingent liabilities, which exist from relationships with organizations created by the City, are included in this report. The notes to the financial statements further discuss the City as a financial reporting entity.

There are three main sections to this report:

The **Introductory Section** includes information about City organization and describes economic conditions and outlook, major initiatives, and financial management.

The **Financial Section** includes the State Auditor's opinion, the general purpose financial statements, and combining and individual statements and schedules for the City's funds and account groups.

The **Statistical Section** includes ten years of summary financial data, debt computations, and a variety of demographic, economic, and general information.

The accuracy of the City's financial statements and the completeness and fairness of their presentation is the responsibility of City management. The City maintains a system of internal accounting controls designed to provide a reasonable assurance that assets are safeguarded against loss or unauthorized use and that financial records can be relied upon to produce financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed benefits likely to be derived. Comprehensive written policies support the system and the Office of City Auditor reviews internal accounting controls based upon request or observed need.

The control imposed by the City's adopted budget is maintained through the integration of budgetary accounts in fund ledgers for all budgeted funds. An encumbrance system accounts for purchase orders and other contractual commitments.

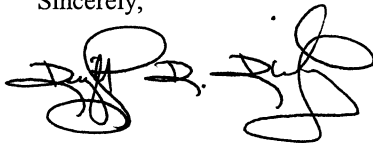
Washington State law requires an annual audit of the City's financial statements by the independently elected State Auditor. The State Auditor conducts his examination in accordance with generally accepted auditing standards and provides an independent assessment that helps assure fair presentation of the City's financial position, results of operations, and the cash flows of its proprietary fund types. In addition to the opinion on the City's financial statements included in this report, the State Auditor also issues separate reports on internal control and compliance with laws and regulations that meet the requirements of the Single Audit Act and related OMB Circular A-133.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Seattle for its comprehensive annual financial report for the fiscal year ended December 31, 2000. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

I would like to express my appreciation to the entire staff of Accounting Services, other members of the Department of Finance, and other City departments who contributed to the preparation of this report.

Finally, I thank you for your interest and continuing support in planning and conducting the City's financial operations in a responsible manner.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Dively", with a stylized flourish at the end.

Dwight D. Dively, Director
Department of Finance